

City and Borough of Yakutat

Assessment of Management Capacity Indicators

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Introduction

The City and Borough of Yakutat report was completed by Rural Utility Business Advisor program staff, Lynn Kenealy, as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the Juneau regional office for viewing if requested.

The goal of the RUBA Program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

Essential Indicators identify policies and practices that are critical to the short-term operation of a utility. **Sustainable Indicators** identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The Essential Recommendations are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The Sustainable Recommendations are intended to improve cost effectiveness and sustainability of the utility.

The City and Borough of Yakutat is a non-unified home-rule borough with a current population of approximately 622. The municipality provides water and wastewater services to most of the community. Water is derived from three wells in the community, treated with calcium hypochlorite, then stored in a tank elevated in the middle of town, which then gravity feeds to the community. The wastewater treatment system is classified class 1; wastewater collection class 1; and water distribution class 1. Water treatment is not classed. There are more than 290 active hook-ups. Some hook-ups are serving multi-family homes, and utility staff is attempting to establish which homes are included and to charge them on a per-family basis, rather than per-hook-up basis. During winter months, the water plant produces on average 280,000 gallons of water per day. During the summer the average is about twice as much due to the fish processing plant and other fish-related activities. Several leaks throughout the water distribution system have been repaired over the past few years, and the system is being gradually upgraded from PVC, ductile iron, and asbestos pipe to HDPE pipe. Water usage is decreasing steadily with these upgrades. The only metered customer is the fish processing plant. All other customers pay a flat rate, as the system is not widely metered. Several customers leave water running in winter

months to avoid freezing. The community has nine wastewater lift stations, and a primary wastewater treatment system.

The City and Borough of Yakutat operates and manages the following utility services:

- Water and wastewater (including water to residents, businesses, school, seafood processing plant, and FAA)
- Dump and recycling (not yet at landfill status – no garbage haul)
- Harbor/Dock (1 large dock)
- Owns and/or leases out the following enterprises, or the land under these properties:
 - Bulk fuel, boat fueling depot, and fuel distribution/sales
 - Fish processing plant
 - 3 small docks

Capacity Indicators

On January 15-16, 2014, RUBA staff, Lynn Kenealy, met with City and Borough of Yakutat utility staff to complete a RUBA Assessment of Management.

City staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- FY14 budget & adopting non-code ordinance
- Manager's report, January 13, 2014
- Water utility rate schedule (last changed 2005)
- Municipal Code Chapter 11.30: Public Water System
- Water/wastewater customer invoice
- Water/wastewater aging summaries
- Single audit report, year ending June 30, 2013
- Voided cash receipt
- Voided check
- Job descriptions
- Letter of acceptance sample
- Water/wastewater certifications
- Job postings
- Training certifications
- Assembly meeting minutes (November 7, 2013, through December 19, 2013)
- Assembly meeting posting
- Code of conduct and ethics
- Organizational chart
- Water utility preventative maintenance program log
- Reconciliation report
- Electric bill paycheck (copy of check)

- Financial reports to the assembly (11/01/13-11/30/13) as presented at regular December 2013 meeting
- Chart of accounts
- The Safety and Health Policy and Plan for Public Works Department, City and Borough of Yakutat, last revised June 26, 2008 (seen, but not duplicated)
- Work Order Log (seen, but not duplicated)

Utility Finance

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	All revenue and expenses for the utility are listed in the utility budget.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted a balanced realistic budget.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Monthly financial reports are prepared and submitted to the policy making body.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is current paying all water/wastewater electric bills.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.

Sustainable Indicators

<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses and Repair and Replacement (R&R) costs.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	YTD revenues are at a level equal to or above those budgeted.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	YTD expenditures are at a level equal to or below those budgeted.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	A monthly manager's report is prepared.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budget amendments are completed and adopted as necessary.

The City and Borough of Yakutat follows the fiscal year July 1 through June 30. The FY14 budget was adopted by the assembly (which is the decision-making body for the community's water/wastewater utility) on June 6, 2013. The budget covers each department, utility, and enterprise separately, and compares FY12 and FY13 actuals with proposed FY14 figures. The water/wastewater utility lists all revenue and expense categories, and projects either even revenues or fewer revenues than previous years, and either even expenditures or additional expenditures than previous years. This realistic budget anticipates a revenue of \$547 at year end. Additional revenue for repair and replacement costs are provided by general fund sources, such as PILT and Community Revenue Sharing, though the utility is seeking rate studies to assess the actual cost of the utility versus how much the utility is charging users, and to explore increasing user fees to match the actual cost of the utility. Revenues are not currently sufficient to provide funds for repair and replacement. The utility has adopted a rate schedule based on class types (domestic, commercial flat rate, and commercial metered rate). Single-family dwellings are charged a flat rate of \$25 per month for water and \$26 per month for wastewater. Higher rates are charged for other customer classes. The utility will be engaging a water/wastewater utility rate study, and will propose rate increases to the assembly in line with the conclusion of the rate study.

There is currently sufficient revenue through user fees and subsidies provided by the borough's general fund to cover operating expenses. However, there is little or no money being set aside in consideration of repair and replacement costs. Additionally, much of the subsidies being provided by the general fund is coming from federal funding sources which are not guaranteed year-to-year, such as PILT. A utility rate study is currently being conducted to estimate the

actual cost of providing water and wastewater services. Upon completion, various suggestions for distribution of user fees across customer classes will be developed and presented to the assembly for consideration.

The utility's finance director provides profit and loss budget versus actual reports for the assembly once a month at a regular meeting. The report includes for each budget category current month figures, current year figures, budget figures, total budget variance, and percentage of total budget remaining. The financial reports are accompanied by a manager's report, which discusses any peculiarities on the financial report, and any issues which might warrant a budget amendment. As of November 30, 2013, the utility had received 44% of the projected revenue for the year, and had expended 37% of the projected expenditures for the year, well within year to date expectations. Budget amendments are completed and adopted as necessary, and have been undertaken once thus far in FY14.

The municipality owns and operates the community's electric company, Yakutat Power. This enterprise is run separately from the water/wastewater utility and other operations of the municipality, and thus the municipality is billed by the power company monthly for power usage. Each department or enterprise is billed separately, and when a bill is received the finance director codes each bill to the corresponding account. Evidence was provided of electric bill payment and accurate coding.

The municipality owns the community's bulk fuel equipment and property, and leases these out to Delta Western, who operate all fuel sales. Delta Western receives barges which top off the bulk fuel farm on a regular basis. The municipality projects adequate expenses for fuel needs and includes these in the annual budget for each enterprise and department.

Accounting Systems

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted a collection policy and actively follows it.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility bills customers on a regular basis.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	An accounts receivable system is in place which tracks customers and reports past due accounts and amounts.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	An accounts payable system is in place.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The payroll system correctly calculates payroll and keeps records.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	A cash receipt system is in place that records incoming money and what it was for.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a cash disbursement system that records how money was spent.

Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	A chart of accounts is used that identifies categories in a reasonable, usable manner.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Monthly bank reconciliations have been completed for all utility accounts.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts.

Yakutat Municipal Code Chapter 11.30 discusses collections policies for the community's water/wastewater utility. Section 11.30.100 permits the borough to shut off water to any premise delinquent on payment for 60 days after the bill is mailed. However, it does not require shut-off, as this is not always an option. Not all customers have shut-off valves, and those that do are not necessarily known to the utility. Rather, section 11.30.130 provides for a delinquency collection

policy including small claims court and liens. The billing clerk reports that the bill is sent out by the 15th of each month, and payment is due 30 days after billing. Customers are delinquent as of 60 days after the billing date. At this time, they are notified by either certified letter or phone call. If payment is not made at this point, a further certified letter is sent with a specified time period for payment to be completed. If payment is not complete by this time, the customer is sent to small claims court, and payment is then generally forced through PFD payments or wage garnishments. The collection policy has been successful in ensuring a high collection rate. At this time, most delinquent accounts are customers no longer residing within the community.

The utility utilizes the Abilia accounting system, which tracks all accounts receivable, accounts payable, and payroll.

Accounts receivable is maintained by the billing clerk and assistant billing clerk. Bills are sent out by the assistant billing clerk, and receivables are managed by the billing clerk. Cash is frequently received as payment for utility bills. When a customer pays in cash, the payment is recorded in a duplicate cash receipt book, and the customer is provided with a copy of the receipt. The system is then entered into the accounts receivable system and posted to the appropriate customer account, and all deposits are sent to the bank once per month, as there is no bank within the community.

Payroll is completed semi-monthly. All employees complete a timesheet which is signed by department heads or the manager. The finance director then codes each timesheet to the appropriate department and processes payroll and withholdings.

Accounts payable is maintained by the finance director. When invoices come in, they are placed in a folder and input all at once, including coding. An invoice report is run at the end of the week which is double checked for accuracy. Payments are then posted, checks printed and signed by the borough manager, and copies placed in the appropriate folders. There is no cash disbursement within the borough, other than a \$500 petty cash system, which is maintained and reconciled regularly by the finance director.

When utility staff needs to place a work order, a borough work order form is completed and submitted to administrative personnel. The work order must be signed off by the borough manager, and is then submitted to the financial director for finance action. There is an adjoining work order log maintained by the finance director which matches up to a work order form number, and includes information such as date submitted, date completed, department, and task description. The finance director assigns all expenses to the appropriate budget category, and ensures there is sufficient funding in each category to complete the work requested.

Bank reconciliations are completed monthly by the finance director, and evidence was provided as such. The borough is audited annually, and the FY13 audit was a comprehensive single audit, and no findings were identified.

Tax Problems

Essential Indicators

Yes No NA

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a system to accurately calculate, track, and report payroll tax liabilities.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is current on filing federal and state tax reports.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is current on making federal and state tax deposits.
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> If there are any past tax liabilities or tax liens filed, a payment agreement has been signed and repayments are current.

Abilia accounting software system is used to calculate and track payroll tax liabilities, and reports and makes payments through the EFTPS system. The Department of Labor Employment Security Division granted tax clearance for the borough on January 17, 2014. Taxpayer Advocates granted tax clearance on January 28, 2014.

Personnel System

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a posted workers compensation insurance policy in effect.

Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted and uses a personnel policy, which has been reviewed by an attorney, AML, or DCCED for topics and language.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adequate written job descriptions for all positions.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequate written hiring process.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a probationary period for new hires that includes orientation, job-training/oversight, and evaluations.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility provides training opportunities to staff as needed and available.

The City and Borough of Yakutat receives workers compensation insurance through AMLJIA and is paid through June 30, 2014, for this coverage. Proof of coverage is posted in three workplace locations throughout the community.

Title 3 of the Yakutat Municipal Code is the personnel policy for the community. The policy has been reviewed by the municipal attorney. All employees up to a few years ago had read the policy and signed a form attesting they had read the document. However, this has not been completed with more recent employees. Chapter 3.12 addresses hiring processes, including directions on recruitment, advertisement, selection, interviews, references, and preferences. Chapter 3.16 discusses probationary appointment, and requires all employees begin with a 6-12 month probationary period. Performance evaluations are discussed in section 3.40.020, and are required either once or twice a year, depending on the position. A sample evaluation form was also provided, which provides a point scale evaluation system evaluating different job and skill expectations, a discussion of employee accomplishments, employee goals and objectives, and additional comments.

Job descriptions are available for all permanent positions of the municipality, and can be found in the personnel drawer maintained by the finance director. The finance director also maintains all personnel files, which include at a minimum the I-9, W4, copy of identification, a memorandum of hire (letter of acceptance), and job applications. Job applications have not been

maintained for employees who have been with the city for an extended period, and are not being completed with all new employees.

The utility encourages training and educational opportunities for all employees. See “Organizational Management” for more information on this topic.

Organizational Management

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The entity that owns the utility is known and the entity that will operate the utility is set.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body is active in policy making of the utility.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body enforces utility policy.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained manager.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained bookkeeper.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained operator(s).
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted an organizational chart that reflects the current structure.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body meets as required.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility complies with the Open Meeting Act for all meetings.

The City and Borough of Yakutat owns and operates the community’s water/wastewater utility. Municipal code chapter 11.30 discusses the utility, including ownership and rules and regulations, and authority. The borough assembly is the policy-making body for the utility, and meets for one regular meeting monthly, as well as additional special meetings as needed. All meetings are noticed in accordance with the Open Meetings Act, and minutes are approved and maintained in the city office.

The borough assembly adopted an organizational chart in August, 2008, which lays out boards and committees, as well as clearly portraying lines of supervisory authority for all employees within the borough and utility.

All utility staff has been employed by the borough for several years. The utility manager has worked in his current position for 8-9 years, and is retiring in September, 2014, in the hopes of training his replacement in the mean time. The primary water operator and back-up water operators are both certified level 1 in all relevant water operations areas, and have both been working for the borough for almost a decade. Both have attended relevant safety trainings and gained additional certifications such as confined space entry and public risk management seminars. Administrative staff and finance staff have completed relevant certifications, and are encouraged to attend trainings whenever available. The utility billing clerk attended the RUBA Financial Management Training in January, 2014.

Operation of Utility

Essential Indicators

Yes No

- | | | |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility operator(s) are actively working towards necessary certification. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a preventative maintenance plan developed for the existing sanitation facilities. |

Sustainable Indicators

- | | | |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The manager receives a monthly O&M report from the utility operator and routinely “spot checks” the facilities to see that the maintenance items are being completed. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a safety manual and holds safety meetings. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Utility facilities have not suffered any major problems/outages due to management issues that are still unresolved. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is operating at the level of service that was proposed. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The operator provides status reports to the manager on a routine basis. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has completed and distributed its <u>Consumer Confidence Report</u> (CCR). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility meets all required regulations (is not on the <u>Significant Non-Compliance</u> (SNC) list). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility maintains an inventory control list. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility maintains a critical spare parts list. |

The water utility’s primary water operator is certified wastewater treatment level 1; wastewater collection level 1; and water distribution level 1. The back-up operator was previously certified wastewater collection level 1 and wastewater treatment level 1, but both of these certifications lapsed December 31, 2013, due to not meeting CEU requirements. Certification may still be renewed if CEU requirements have been met by June 30, 2014. It is recommended that the back-up water operator complete required CEU’s in order to renew wastewater collection and treatment certification; and begin the process of becoming certified in water distribution. This indicator is currently being met, as the primary water operator meets all certification requirements.

The utility maintains a written preventative maintenance program including daily, weekly, monthly, quarterly, semi-annual, and annual tasks. A copy of the plan is available on file. The plan is carried out by the water operator, and supervised by the primary water operator. Status reports are provided regularly to the borough manager, who passes information along to the assembly as needed. An inventory control list and critical spare parts list are being created through the asset management system, with the assistance of SEARHC.

The 2012 Consumer Confidence Report has been completed, and the 2013 report will soon be undertaken. The utility has not been on the SNC list for several years, and conducts water testing monthly, as required.

The City and Borough of Yakutat has a Safety and Health Policy Plan for Public Works Department, which all utilities follow, as adopted in June, 2008. The plan covers topics including a safety plan, worksite analyses, hazard prevention and control plan, safety and health training plan, incident procedures, record keeping, confined space plan and other like plans regarding specific procedures such as excavation work, emergency action plan, hazard communication program, lockout/tagout program, equipment procedures, personal protective equipment plan, respiratory protection program. All personnel are required to participate in the adjoining training plans for each item relevant to them, and a certificate of acknowledgement and completion is

completed and placed in their personnel file. Additionally, the utility participates in the monthly AMLJIA safety meeting via teleconference. This serves as an opportunity for personnel to remain fresh and informed on all matters of safety, and also provides a cash discount on the cost of the utility's insurance.

Essential Recommendations

The City and Borough of Yakutat has met all of the essential capacity indicators.

Sustainable Recommendations

The City and Borough of Yakutat can work to improve Sustainable Indicators in the area of "Utility Finance".

It is recommended that:

- The utility ensures that sufficient revenue is received to cover operating expenses as well as repair and replacement costs.

Conclusion and Next Step

By implementing the above recommendations, the City and Borough of Yakutat will put itself into position to better meet unanticipated financial costs and ensure that employees are aware of their conditions of employment.

The City and Borough of Yakutat staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice and sustainability.

RUBA staff is available to provide assistance for any sustainable capacity indicators that are not being met.